



STATE OF MICHIGAN

**Family
Independence
Agency**

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To: **Asha Shah, Director**
Budget, Analysis and Financial Management
Administration

Date: **December 17, 2001**

From: **Rita Barker, Director**
Office of Internal Audit

Subject: **Review of Maintenance of Effort Fiscal Data for Family Preservation and Family Support Services for the Period October 1, 1998 through September 30, 1999**
Audit # 2001-014

The Office of Internal Audit reviewed the fiscal data used to calculate the State Fiscal Year 1999 Estimated Expenditures to meet the supplantation prohibition for the Family Preservation and Family Support Services Program.

Based on our review, we concluded that the allocations of gross expenditures used to calculate FY 1999 estimated expenditures to meet the supplantation prohibition for the Family Preservation and Family Support Services Program were correct except for:

- Adjustments to the factors used to determine the Federal portion of TANF and Title IV-B expenses;
- Adjustments resulting from correction of Prevention Staff quarterly totals for Payroll Taxes and Fringe Benefit expenses; and
- Child Care Fund – In Home Care expenses included as State expenditures which should have been included as County expenditures

Schedule A (attached) summarizes the adjustments to be made as a result of our review. Details of the necessary corrections follow below.

Title IV-A (TANF) Adjustment

1. The method used to determine what portion of TANF expenditures was reported as being Federally reimbursed was not consistent with the method used in the prior year (FY98). For FY 99, FIA arrived at a TANF factor of .520998 by dividing Total TANF Federal Revenue (\$455,445,545) by Gross TANF Claims (\$874,179,830). In FY98, FIA decided that a more appropriate method of determining the TANF % for appropriations which were not 100% Federally funded was to divide TANF Share of Balance (\$14,768,029) by Balance of Gross Claim (\$76,810,245). Using this methodology would result in a TANF

factor of .192266 for FY99. FIA determined that this was a more appropriate method for determining the TANF factor in the prior year, and it should be consistent in determining the methodology used from year to year. Using the same methodology that was used in FY 98 will result in a decrease in the Federal portion of the TANF expenditures and an increase in the State portion of \$5,646,505.

Title IV-B Adjustment

2. A Title IV-B factor of .642722 was arrived at using figures (\$8,952,491/\$13,929,017) taken from the Title IV-B, Part 2 Financial Status Report. However this was an error. The correct Title IV-B factor should have been determined using the Title IV-B, Part 1 Financial Status Report for the fiscal year ended September 30, 1999. Using this report, we calculated a Title IV-B factor of .105106 by dividing total Federal Revenue of \$10,071,353 by total Title IV-B expenditures of \$95,821,036. Using the correct report will result in a decrease in the Federal portion of the Title IV-B expenditures and an increase in the State portion of \$60,383.

Prevention Staff Payroll Taxes And Fringe Benefit Expenses Adjustment

3. During our review of “Payroll Taxes & Fringes” for Prevention Staff, we noted that while the total “Payroll Taxes & Fringes” figure used for the year (\$1,532,763) agreed with the BU-010 Report (Expenditures and Other Obligations Summary By Appropriation Number), the quarterly totals used were \$27,753 too low in the third quarter and \$27,753 too high in the fourth quarter. Due to the effect of the A-50 Cost Pool allocations (which change quarterly), changing the third quarter “Payroll Taxes & Fringes” from \$408,200 to \$435,953 and the fourth quarter figure from \$473,131 to \$445,378 will result in an increase in the Federal portion of the Prevention Staff expenditures and a decrease in the State portion of \$1,462.

The net effect of the above adjustments on the Family Preservation and Family Support Services expenditures is a decrease in Federal expenditures and an increase in State expenditures of \$5,705,426.

WE RECOMMEND the Budget, Analysis and Financial Management Administration make the corrections detailed in this memorandum to the Family Preservation and Family Support Services Maintenance of Effort calculations.

Child Care Fund – In Home Care Expenses Adjustments

4. The Child Care Fund – In-Home Services (CCF-IHS) line item showed \$1,725,604 recorded as a TANF expense. This was done because \$1,725,604 of the \$3,181,487 in gross CCF-IHS expenditures was determined to be TANF eligible, and subsequently FIA received revenue from the Federal Government in that amount. However, during our review it was determined that 50% of the \$1,725,604 pertained to CCF-IHS expenses which were paid for by the counties and therefore only the State’s share (\$862,802) should have been included for federal reimbursement. Since the \$1,725,604 was actually received and FY99 is now closed, FIA is not able to change the TANF figure.

WE RECOMMEND that BAFM report this error to the appropriate federal officials, and work with them to determine the appropriate corrective action to be taken.

WE FURTHER RECOMMEND BAFM ensure that only the State portion of TANF eligible CCF-HIS expenses is included for federal reimbursement in the future.

5. We also noted the remaining non-TANF portion of the CCF-IHS expenses (\$1,455,883) was included as a State expenditure. Since these non-TANF expenditures would actually be the counties' portion of the CCF-IHS expenditures, this figure was included as a "County Funds" expenditure, increasing County Funds and decreasing State Funds by \$1,455,883.

WE RECOMMEND that BAFM include the non-TANF portion of the CCF-IHS expenses (\$1,455,883) as "County Funds" expenditures, rather than as "State Funds."

Attached are copies of the "Estimated Expenditures – Family Preservation and Family Support Services" report which includes the corrections we determined necessary.

Please contact me if you have any questions concerning this review.

Attachments (2)

cc: M. Jasonowicz
J. Beougher
J. Sorbet
J. Hudson

Audited

ESTIMATED EXPENDITURES

State Fiscal Year 1999

FAMILY PRESERVATION AND FAMILY SUPPORT SERVICES

Fiscal Data (in thousands) to meet the Supplantation Prohibition

Funding Source	Family Preservation Services		Family Support Services	
	STA	FEDERAL	STATE	FEDERAL
Title IV-B 1/	\$21.0	\$2.5	\$79.6	\$9.3
Title IV-A Emergency Assistance	\$13,874.2	\$5,028.1	\$0.0	\$1,713.0
Title XX	\$3,638.7	\$15,548.9	\$167.2	\$668.5
Other (please list)* Direct charged or cost allocated via worker time study to the following Federal funding sources: Titles IV-A, IV-D, IV-E, IV-F, XIX, Food Stamps, LIHEAP, and Child Care & Development Block Grant	\$1,135.6	\$2,262.5	\$0.0	\$0.0
Child Abuse and Neglect Grants	\$0.0	\$464.3	\$0.0	\$0.0
Community-Based Family Resource Program Grant	\$0.0	\$0.0	\$0.0	\$654.7
Temporary Child Care for Children with Disabilities and Crisis Nursery Grants	\$0.0	\$0.0	\$0.0	\$0.0
100% State Funds	\$8,636.6	\$0.0	\$0.0	\$0.0
100% County Funds	\$1455.9	\$0.0	\$0.0	\$0.0
Private Donations	\$0.0	\$0.0	\$1,347.3	\$0.0

* Some examples of Federal and State funding sources are as follows:

Community Service Block Grant; Child Abuse and Neglect Grants; Children's Justice Act Grants; Community Prevention Grants (challenge grants); Family Resource and Support Programs (There are only three States which have these programs--CT, MD and VA); Parents as Teachers; Home Instruction Program for Preschool Youngsters (HIPPY); and Families First.

1/ The match requirement for Title IV-B subpart 1 funds was met for the most part through allowable state foster care expenditures which are not counted in fiscal year 1999

estimated expenditures for Family Preservation and Family Support Services because they do not fit the definition of family preservation or family support.

<u>DESCRIPTION OF ADJUSTMENT</u>	<u>GROSS EXPENDITURES</u>	<u>IV-B</u>	<u>TITLE XX</u>	<u>TITLE IV-A TANF</u>	<u>FEDERAL FUNDS</u>	<u>COUNTY FUNDS / PRIVATE DONATIONS</u>	<u>GF/GP</u>
Family Preservation and Family Support Services	\$56,707,852	\$72,188	\$16,213,837	\$12,387,605	\$3,383,610	\$1,347,321	\$23,303,290
1. Method used to determine Federal portion of TANF expenses was not consistent with method used in prior year. Adjustment resulted from using the method that was deemed appropriate to determine Federal portion of TANF expenses in the prior year. Factor for Federal portion of .520998 was adjusted to .192266	\$0	\$0	\$0	(\$5,646,505)	\$0	\$0	\$5,646,505
2. Adjustment for incorrect factor used in determining Federally reimbursed portion of Title IV- B expenses. Factor for Federal portion of .642722 was adjusted to 0.105106	\$0	(\$60,383)	\$0	\$0	\$0	\$0	\$60,383
3. \$1,455,883 in Child Care Fund - In Home Services expenses was recorded in the "GF/GP" column of the spreadsheet. It was determined that the figure should have been recorded in the "County Funds" column.	\$0	\$0	\$0	\$0	\$0	\$1,455,883	(\$1,455,883)
4. Adjustment resulting from correction of Prevention Staff quarterly totals for "Payroll Taxes & Fringes." Quarterly totals were too low in the 3rd Quarter and too high in the 4th quarter by \$27,753.	\$0	\$6	\$3,610	\$0	(\$2,154)	\$0	(\$1,462)
Total Audit Adjustments	\$0	(\$60,377)	\$3,610	(\$5,646,505)	(\$2,154)	\$1,455,883	\$4,249,543
Total Audited Family Preservation & Support	\$56,707,852	\$11,811	\$16,217,447	\$6,741,100	\$3,381,456	\$2,803,204	\$27,552,833

Audit Adjustments in Bold Print